



ERNIE FLETCHER
GOVERNOR

EXECUTIVE ORDER

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TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY H. Heller

2004-723

July 9, 2004

Secretary of State
Frankfort
Kentucky

**RELATING TO REORGANIZATION OF THE
FINANCE AND ADMINISTRATION CABINET**

Whereas, the Commonwealth of Kentucky has always promoted effective and efficient management of state government operations and resources;

Whereas, it is the duty of public officers to increase quality in the administration and management of state services;

Whereas, improved efficiency and economy will result from the organizational structure reflected in this Executive Order that utilizes effective management practices;

Whereas, this reorganization plan will provide a vehicle to efficiently and effectively carry out the statutory mission of the agency in the most cost efficient manner possible;

Whereas, it is the policy of this Administration to derive maximum benefit from the streamlining of state government structures, thereby reducing escalating management costs and attaining a more efficiently operated government. Prior Executive Order 2003-064 merged the Governor's Office for Technology and the Revenue Cabinet with the Finance and Administration Cabinet. In order to accomplish a restructuring of the Finance and Administration Cabinet, a Finance and Administration Cabinet Reorganization Steering Committee was created to study the existing structures of the three agencies and determine where efficiencies could be gained in the consolidation. The steering committee developed the following plan which will result in a change in organizational structure and an organizational entity that utilizes effective management practices;

Whereas, the Kentucky Public Employees Deferred Compensation Authority was established within the Personnel Cabinet by Executive Order 94-1235, the Deferred Compensation Systems within the Finance and Administration Cabinet should be abolished.

Whereas, the Kentucky Teachers' Retirement System Board of Trustees was transferred from the Education, Arts and Humanities Cabinet by Executive Order 2003-064, the Kentucky Teachers' Retirement System Board of Trustees should be administratively attached to the Finance and Administration Cabinet.

NOW, THEREFORE, I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Constitution and KRS 12.028, do hereby order and direct the following:

- I. The Governmental Services Center administratively attached to the Finance and Administration Cabinet is hereby abolished from the Finance and Administration Cabinet and transferred to the Personnel Cabinet.



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II. The Revenue Cabinet as established by KRS 131.020 and the following organizational entities are hereby abolished.

- A. The Office of the Secretary is hereby abolished.
 - 1. The Office of the Taxpayer Ombudsman is hereby abolished.
 - 2. The Office of Financial and Administrative Services is hereby abolished.
 - 3. The Office of General Counsel is hereby abolished.
- B. The Department of Property Valuation is hereby abolished.
 - 1. The Division of Technical Support is hereby abolished.
 - 2. The Division of Local Valuation is hereby abolished.
 - 3. The Division of State Valuation is hereby abolished.
 - 4. The Division of Mapping is hereby abolished.
- C. The Department of Tax Administration is hereby abolished.
 - 1. The Division of Compliance & Taxpayer Assistance is hereby abolished.
 - 2. The Division of Field Operations is hereby abolished.
 - 3. The Division of Revenue Operations is hereby abolished.
- D. The Department of Information Technology is hereby abolished.
 - 1. The Division of Systems Planning & Development is hereby abolished.
 - 2. The Division of Technology Infrastructure Support is hereby abolished.
- E. The Department of Law is hereby abolished.
 - 1. The Division of Legal Services is hereby abolished.
 - 2. The Division of Research is hereby abolished.
 - 3. The Division of Tax Policy is hereby abolished.
 - 4. The Division of Protest Resolution is hereby abolished.
 - 5. The Division of Collections is hereby abolished.

III. The following organizational entities within the Finance and Administration Cabinet are hereby abolished:

- A. The Office of Financial Management is hereby abolished.
- B. The Administrative Policy & Audit Division is hereby abolished.
- C. The Office of Technology Operations is hereby abolished.
- D. The Customer Resource Center Office is hereby abolished.
- E. The Office of Management and Budget is hereby abolished.



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- F. The Department for Administration is hereby abolished.
 - 1. The Division of Material and Procurement Services is hereby abolished.
 - 2. The Division of Occupations and Professions is hereby abolished.
 - 3. The Division of Printing is hereby abolished.
 - 4. The Division of Creative Services is transferred to the Commerce Cabinet. The Division of Creative Services within the Finance and Administration Cabinet is hereby abolished.
 - 5. The Division of Postal Services is hereby abolished.
 - 6. The Division of Risk Management is hereby abolished.
 - 7. The Division of Surplus Property is hereby abolished.
 - G. The Office of Capital Plaza Operations is transferred to the Commerce Cabinet. The Office of Capital Plaza Operations within the Finance and Administration Cabinet is hereby abolished.
 - H. The Office of the Controller is hereby reorganized as follows:
 - 1. The Division of Social Security is hereby abolished.
 - 2. The Division of Statewide Accounting Services is hereby abolished.
 - I. The Department for Facilities Management is hereby reorganized as follows:
 - 1. The Division of Building Services is hereby abolished.
 - 2. The Division of Engineering is hereby abolished.
 - 3. The Division of Mechanical Maintenance & Operations is hereby abolished.
 - 4. The Division of Historic Properties is hereby abolished.
 - 5. The Division of Contracting & Administration is hereby abolished.
 - 6. The Division of Real Properties is hereby abolished.
 - J. The Kentucky Pollution Abatement Authority is hereby abolished. At the present time, there is no funding or personnel attached to this organizational entity.
- IV. The Governor's Office for Technology and the following organizational entities are hereby abolished:
- A. The Commercial Mobile Radio Service (CMRS) Emergency Telecommunications Board is hereby abolished.
 - B. The Office of Administrative Services is hereby abolished.
 - 1. The Division of Financial and Business Management is hereby abolished
 - 2. The Division of Asset Management is hereby abolished.
 - C. The Office of Policy & Customer Relations is hereby abolished.



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1. The Division of Planning & Architecture is hereby abolished.
 2. The Division of Relationship Management is hereby abolished.
 3. The Division of Information Technology Training is hereby abolished.
- D. The Office of Geographic Information is hereby abolished.
- E. The Office of Infrastructure Services is hereby abolished.
1. The Division of End User Support is hereby abolished.
 2. The Division of Computing Services is hereby abolished.
 3. The Division of Security Services is hereby abolished.
 4. The Division of IT Operations is hereby abolished.
 5. The Division of Communication Services is hereby abolished.
- F. The Office of Human Resources Management & Development is hereby abolished.
- G. The Office of General Counsel is hereby abolished.
- H. The Office of Consulting & Project Management is hereby abolished.
1. The Division of Centers of Expertise is hereby abolished.
 2. The Division of Project Office and Integration is hereby abolished.
 3. The Division of Human Services Systems is hereby abolished.
 4. The Division of Financial Systems is hereby abolished.
 5. The Division of Transportation Systems is hereby abolished.
 6. The Division of Workforce Development & General Government Systems is hereby abolished.
- V. There will be seven Offices/Departments created and established, to be attached to the Office of the Secretary of the Finance and Administration Cabinet as follows:
- A. The Office of Administrative Services is hereby created and established within the Finance and Administration Cabinet. The Office will contain six divisions and will be responsible for all internal administrative and human resource functions of the Finance and Administration Cabinet including administrative assistance, budget, procurement, customer billing, payments, general accounting, personnel, payroll, asset management and statewide postal services and printing services. Each of the pre-merger agencies had similar functions being performed. These functions and staff persons will be merged into one Office reporting to the Secretary. The Office of Administrative Services shall be headed by an Executive Director appointed by the Cabinet Secretary pursuant to KRS 12.050.

The following Divisions are hereby created and established within the Office of Administrative Services. The Divisions shall be headed by Division Directors appointed by the Cabinet Secretary pursuant to KRS 12.050.



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1. The Division of Budget and Planning;
2. The Division of Human Resources;
3. The Division of Administrative Support Services;
4. The Division of Occupations and Professions;
5. The Division of Postal Services;
6. The Division of Printing Services.

The Divisions shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet and set forth by Administrative Order.

- B. The Commonwealth Office of Technology is hereby established within the Finance and Administration Cabinet. This Office will carry out the functions necessary for the efficient, effective and economical administration of information technology and resources within the executive branch. These duties include establishing IT policy and standard setting deployment, strategic and tactical planning, acquisition, management and operations. The Office will be responsible for establishing performance measures and benchmarking policies and procedures, assessing, recommending and implementing IT governance and organization design to include effective IT personnel management practices; overseeing shared IT resources and services; establishing partnerships and alliances for effective implementation of IT projects and identifying IT applications that should be statewide in scope and ensuring that these applications are not developed independently or duplicated by individual agencies of the executive branch. Prior to the implementation of this Executive Order, each agency had similar pre-merger IT functions and support services internal to that agency. These functions, personnel and support services will be merged into this Office reporting to the Secretary. The Commonwealth Office of Technology shall be headed by an Executive Director (CIO) appointed by the Cabinet Secretary pursuant to KRS 12.050. The Office shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet and set forth by Administrative Order.

The following Offices/Divisions are hereby created and established within the Commonwealth Office of Technology. The Offices shall be headed by an Executive Director appointed by the Cabinet Secretary pursuant to KRS 12.050. The Divisions will be headed by Division Directors appointed by the Cabinet Secretary pursuant to KRS 12.050. The Offices/Divisions shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet and set forth by Administrative Order.

1. The Office of the 911 Coordinator, which will include all functions, associated with the former Commercial Mobile Radio Service (CMRS) Emergency Telecommunications Board;



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2. Office of Enterprise IT Policy and Planning;
 - a. The Division of Enterprise Architecture
 - b. The Division of Relationship and Service Management
 - c. The Division of Geographic Information
 - d. The Division of IT Contract and Asset Management.
3. Office of Infrastructure Services;
 - a. The Division of Security Services
 - b. The Division of Communication Services
 - c. The Division of Computing Services
 - d. The Division of Infrastructure Support.
4. Office of Consulting and Project Management;
 - a. The Division of Centers of Expertise
 - b. The Division of Transportation Systems
 - c. The Division of Human Services Systems
 - d. The Division of General Government Systems
 - e. The Division of Financial Systems

These Offices/Divisions will provide services throughout state government and coordinate the IT work of all state agencies. This enterprise work, in addition to the level of management expertise necessary to operate each entity, justifies the establishment of these entities as Offices rather than Divisions.

- C. The Office of the Controller is responsible for all state accounting policies and procedures, cash management and strategic financial planning. The Controller acts as the Commonwealth's chief accounting officer. The Office maintains internal accounting controls, operates the accounting system and reports the results of financial operations to management and to the public. The Office works closely with others to coordinate the program, budget, and cost management components of the State's long-range business planning process. The Office of the Controller shall be reorganized as follows:

The following Offices are hereby created and established within the Office of Controller. The Offices shall be headed by Executive Directors appointed by the Cabinet Secretary pursuant to KRS 12.050. The Divisions shall be headed by Division Directors appointed by the Cabinet Secretary pursuant to KRS 12.050.

1. Office of Policy and Audit;
2. Office of Financial Management;
3. Office of Material and Procurement Services;
4. Office of Customer Resource Center;
5. The Division of Local Government Services;
6. The Division of Statewide Accounting Services.



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Each of these entities will provide financial services throughout state government. This enterprise service, in addition to the level of expertise necessary to operate each entity, justifies the establishment of each entity as an Office. The Offices/Divisions shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet as set forth by Administrative Order.

- D. The Department for Facilities Management is hereby renamed the Department for Facilities and Support Services. This Department will be responsible for the Commonwealth's capital construction program; real property acquisition, disposition and leasing services; the daily operation and maintenance of state-owned office properties and surplus property services. The Department shall be headed by a Commissioner appointed by the Cabinet Secretary pursuant to KRS 12.050. The Department shall contain one office and six Divisions and shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet and set forth by Administrative Order. The Office of Building and Mechanical Services will be responsible for providing building and grounds maintenance, mechanical maintenance and electronic security services to state-owned facilities in Frankfort and across the Commonwealth. The statewide service provided by this entity and the level of expertise necessary to manage this entity justifies the establishment of this entity as an Office rather than a Division.

The following organizational entities are hereby established within the Department of Facilities and Support Services. The Office shall be headed by an Executive Director appointed by the Cabinet Secretary pursuant to KRS 12.050. The Divisions shall be headed by Division Directors appointed by the Cabinet Secretary pursuant to KRS 12.050. The organizational entities shall be composed of such organizational entities as deemed appropriate by the Secretary of the Finance and Administration Cabinet and set forth by Administrative Order.

1. The Office of Building and Mechanical Services.
 - a. The Division of Building Services;
 - b. The Division of Mechanical Services;
 3. The Division of Engineering and Contract Administration;
 4. The Division of Real Properties;
 5. The Division of Historic Properties;
 - a. Six (6) employees responsible for the Tour Guide function within the Division of Historic properties are transferred to the Commerce Cabinet.
 6. The Division of Surplus Properties.
- E. The Department of Revenue is hereby established within the Finance and Administration Cabinet. This Department (formerly the Revenue Cabinet) is the agency that administers the tax laws of the Commonwealth and bills and collects the tax revenue necessary to support services provided by the Commonwealth. The Department of Revenue will contain six offices which are as follows: The



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Office of Taxpayer Ombudsman; the Office of Processing and Enforcement; the Office of Property Valuation; the Office of Sales and Excise Taxes; the Office of Income Taxation and the Office of Field Operations. The work of each of these Offices, which includes statewide service to taxpayers and the administration of the Commonwealth's tax laws, and the level of expertise necessary to manage these entities, justifies the establishment of each of these entities as an Office rather than a Division. The Department will contain eleven divisions. The Department of Revenue has been reorganized by tax type so as to ensure a greater consistency in the interpretation, application and enforcement of the tax laws. This new structure will allow for and ensure the oversight of a specific tax or taxes by an expert in that tax and this requisite level of expertise justify the establishment of these entities as Offices. The Department of Revenue shall be headed by a Commissioner appointed by the Cabinet Secretary pursuant to KRS 12.050.

All personnel, funds, records, files and equipment heretofore assigned to the former Revenue Cabinet, which is abolished by Executive Order 2003-064, are hereby assigned to the Department of Revenue.

The following Offices and Divisions are hereby created and established within the Department of Revenue. The offices shall be headed by Executive Directors appointed by the Cabinet Secretary pursuant to KRS 12.050 and the Divisions will be headed by Division Directors appointed by the Cabinet Secretary pursuant to KRS 12.050.

1. The Division of Legislative Services is hereby established in the Department of Revenue, to be headed by a director who shall report to the Commissioner, Department of Revenue.
2. The Office of the Taxpayer Ombudsman is hereby established by KRS 131.051 within the Department of Revenue and is headed by an Executive Director who shall report directly to the Commissioner of the Department.
3. The Office of Processing and Enforcement is hereby established within the Department of Revenue and is headed by an Executive Director who shall report directly to the Commissioner of the Department.
 - a. The Division of Operations is hereby established;
 - b. The Division of Collections is hereby established;
 - c. The Division of Registration and Data Integrity is hereby established.
4. The Office of Property Valuation is hereby established within the Department of Revenue and shall be headed by an Executive Director who shall report directly to the Commissioner of the Department.
 - a. The Division of Local Valuation is hereby established within the Office of Property Valuation;



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- b. The Division of State Valuation is hereby established within the Office of Property Valuation;
 - c. The Division of Minerals Taxation and GIS Services is hereby established within the Office of Property.
- 5. The Office of Sales and Excise Taxes is hereby established within the Department of Revenue and is headed by an Executive Director who shall report directly to the Commissioner of the Department. The Office is structurally organized into two Divisions: the Division of Sales and Use Tax and the Division of Miscellaneous Taxes.
 - a. The Division of Sales and Use Tax is hereby established within the Office of Sales and Excise;
 - b. The Division of Miscellaneous Taxes is hereby established within the within the Office of Sales and Excise;
- 6. The Office of Income Taxation is hereby established within the Department of Revenue and is headed by an Executive Director who shall report directly to the Commissioner of the Department. The Office is structurally organized into two Divisions: the Division of Individual Tax and the Division of Corporation Tax.
 - a. The Division of Individual Income Tax is hereby established within the Office of Income Taxation;
 - b. The Division of Corporation Tax is hereby established within the Office of Income Taxation
- 7. The Office of Field Operations is hereby established within the Department of Revenue and is headed by an Executive Director who shall report directly to the Commissioner of the Department.
- 8. The PVA Office (Accounting) is hereby established within the Department of Revenue. The Department is statutorily responsible for performing administrative tasks such as payroll, budgeting, and accounting for the 120 Property Valuation Administrators across the Commonwealth. This accounting structure is necessary to perform tasks associated with this responsibility.
- F. The Office of Legal and Legislative Services is hereby renamed to the Office of General Counsel. The Office will be responsible for the coordination and provision of legal services for the Cabinet and the General Counsel will be the chief legal adviser to the Secretary. The Office of General Counsel will consist of two offices as follows: The Office of Legal Services for Finance and Technology and the Office of Legal Services for Revenue. Each office will provide legal services for their respective offices/departments. The level of complexity in both the finance administration area and the taxation area, the amount of state funds at risk in the pending protests and litigation and the level of expertise necessary to



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manage these entities justifies the establishment of offices within the Office of General Counsel. The Office of General Counsel shall be headed by an Executive Director appointed by the Cabinet Secretary pursuant to KRS 12.050 and KRS 12.210.

The following Offices and one Division are hereby created and established within the Office of General Counsel. The Offices shall be headed by Executive Directors appointed by the Cabinet Secretary pursuant to KRS 12.050 and 12.210. The Offices/Division shall be composed of such organizational entities as deemed appropriate by the secretary of the Finance and Administration Cabinet and set forth by Administrative Order.

- a. The Office of Legal Services for Finance and Technology is hereby created and established.
- b. The Office of Legal Services for Revenue is hereby created and established.
- c. The Division of Protest Resolution is hereby created and established within the Office of Legal Services for Revenue.

G. The Office of Public Information is hereby created and established. The Office of Public Information will be responsible for overseeing all public information issues, handling all requests for information and press releases, coordinating the publication of all newsletters, reports, web sites, etc. The importance of the statewide communications prepared in this office and the necessity of close communication with the Cabinet Secretary, combined with the level of expertise necessary to manage this entity, justifies its establishment as an Office rather than a Division. The Office shall be headed by an Executive Director appointed by the Cabinet Secretary pursuant to KRS 12.050.

VI. To the extent that the provisions of this Executive Order enlarge upon, detract from, or otherwise conflict with any provisions of any previous Executive Orders relating to the organization of the internal structure of the Finance and Administration Cabinet, the Revenue Cabinet or the Governor's Office of Technology, including but not limited to titles or designations, the previous Executive Orders are hereby rescinded and abolished.

VII. All personnel, records, files, equipment and funds heretofore assigned to organizational entities in previous organizational structures are hereby transferred to the newly created Finance and Administration Cabinet established in this Executive Order as deemed appropriate by the Governor.

VIII. This order shall become effective upon signature. All necessary budgetary and financial transactions shall be aligned to correspond with the beginning of the fiscal year. The Commissioner of the Department of Personnel, the Secretary of the Finance and Administration Cabinet, and the Governor's Office for Policy Management are directed to initiate all such actions as are necessary to effectuate the provisions of this order.



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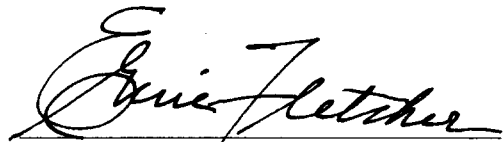
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Secretary of State
Frankfort
Kentucky

July 9, 2004

Signed this 6th day of July, 2004.


ERNIE FLETCHER, Governor
Commonwealth of Kentucky


TREY GRAYSON
Secretary of State

REORGANIZATION PLAN
FINANCE AND ADMINISTRATION CABINET

EXECUTIVE ORDER 2004-723

R. B. Rudolph, Jr., Secretary
Finance and Administration Cabinet

INTRODUCTION

It is the policy of this Administration to derive maximum benefit from the streamlining of state government structures, thereby reducing escalating management costs and attaining a more efficiently operated government. Prior Executive Order 2003-064 merged the Governor's Office for Technology and the Revenue Cabinet with the Finance and Administration Cabinet. In order to accomplish a restructuring of the Finance and Administration Cabinet, a Finance and Administration Cabinet Reorganization Steering Committee was created to study the existing structures of the three agencies and determine where efficiencies could be gained in the consolidation.

SUMMARY OF PLAN

The proposed Executive Order supports Executive Order 2003-064, SB 152 and Governor Fletcher's plan to streamline state government to ensure that the taxpaying public receives the best value for their tax dollar. The proposed organizational structure will improve the quality of services delivered to citizens while minimizing the associated costs. This order results from a thoughtful consideration of all opportunities for improvement and creates a consolidated organizational structure that focuses on the common, "business-like" functions of state government. The proposed organization is balanced to reflect that each agency is of equal importance to the overall success of the new Cabinet.

The proposed Executive Order describes a new Cabinet composed of seven (7) organizations reporting to the Cabinet Secretary. There will be a total of eight (8) organizations, including the office of EEO and Contract Compliance. The Office of EEO and Contract compliance requires no changes and is not part of the Executive Order. Three organizational entities will provide consolidated support services for the entire Cabinet. The organization combines similar functions that were preformed in each of the previous organizations. Other organizational entities will focus on technology, financial management, EEO and revenue functions assigned to the Cabinet. The new Cabinet will contain approximately 2,144 staff physically located throughout the state, with the majority being housed in Frankfort.

A multi-agency steering committee was formed to develop a plan for a streamlined and more efficient organizational structure to be utilized to consolidate three former Cabinets into one. The Steering Committee's proposed restructuring was adopted by the Secretary of the Finance and Administration Cabinet and may be summarized as follows:

An Office of Public Information will be created and established within the Office of the Secretary. This Office will handle all requests for information and press contacts and

will coordinate the publication of all newsletters, reports, web sites, etc. The importance of the statewide communications prepared in this office and the necessity of close communication with the Secretary justifies its establishment as an Office. These communication functions and services which existed in each pre-merger agency will be combined in this office.

The Office of Administrative Services, containing four divisions, will be created and established reporting to the Office of the Secretary. The Office will be responsible for all internal administrative and human resource functions of the Finance and Administration Cabinet including administrative assistance, budget, procurement, customer billing, payments, general accounting, personnel, and payroll and asset management. Each of the pre-merger agencies had similar functions being performed; therefore, these functions and staff will be merged into one Office reporting to the Cabinet Secretary.

The Commonwealth Office of Technology will be created and established reporting to the Office of the Secretary. The Office will carry out the functions necessary for the efficient, effective and economical administration of information technology and resources within the executive branch. These duties include establishing IT policy and standard setting deployment, strategic and tactical planning, acquisition, management and operations. The Office will be responsible for establishing performance measures and bench marking policies and procedures, assessing recommending and implementing IT governance and organization design to include effective IT personnel management practices; overseeing shared IT resources and services; establishing partnerships and alliances for effective implementation of IT projects and identifying IT applications that should be statewide in scope and ensuring that these applications are not developed independently or duplicated by individual agencies of the executive branch. Each agency had similar per-merger IT functions and support services internal to that agency. These functions and support services will be merged into this Office reporting to the Cabinet Secretary. These offices organized under this Office will provide services throughout state government and coordinate the IT work of all state agencies, and this enterprise work in addition to the level of management expertise necessary to operate each entity, justifies the establishment of these entities as Offices rather than Divisions. The Office will be organized to have twelve divisions with Division Directors reporting directly to the Executive Director of the Commonwealth Office of Technology.

The Office of the Controller will report to the Office of the Secretary. This Office will be responsible for all state accounting policies and procedures, cash management and strategic financial planning. The Controller acts as the Commonwealth's chief accounting officer. The Office maintains internal accounting controls, operates the accounting system and reports the results of financial operations to management and to the public. The Office works closely with others to coordinate the program, budget, and cost management components of the State's long-range business planning process. Each of the four entities established as Offices in the Office of the Controller will provide financial services throughout state government. This enterprise service, in addition to

the level of expertise necessary to operate each entity, justifies the establishment of each entity as an Office. There will also be two Divisions reporting to the Office of the Controller.

The Department of Facilities and Support Services will be created and established reporting to the Office of the Secretary. This Department will be responsible for the Commonwealth's capital construction program; real property acquisition, disposition and leasing services; the daily operation and maintenance of state-owned office properties; postal services; surplus property services; and printing services. The Department will contain one Office and eight Divisions. The Office of Building and Mechanical Services will be responsible for providing building and grounds maintenance, mechanical maintenance and electronic security services to state-owned facilities in Frankfort and across the Commonwealth. The statewide service provided by this entity and the level of expertise necessary to manage this entity justifies the establishment of this entity as an Office rather than a Division.

The Department of Revenue will be created and established reporting to the Office of the Secretary. This Department (formerly the Revenue Cabinet) is the agency that administers the tax laws of the Commonwealth and bills and collects the tax revenue necessary to support services provided by the Commonwealth. The Department of Revenue will contain six offices which are as follows: The Office of Taxpayer Ombudsman; the Office of Processing and Enforcement; the Office of Sales and Excise Taxes; the Office of Income Taxation; the Office of Property Valuation and the Office of Field Operations. The work of each of these Offices, which includes statewide service to taxpayers and the administration of the Commonwealth's tax laws, and the level of expertise necessary to manage these entities, justifies the establishment of each of these entities as an Office rather than a Division. The Department will contain ten Divisions. The Department of Revenue has been reorganized by tax type so as to ensure a greater consistency in the interpretation, application and enforcement of the tax laws. This new structure will allow for and ensure the oversight of a specific tax or taxes by an expert in that tax and this requisite level of expertise justifies the establishment of these entities as Offices.

The Office of General Counsel will be created and established reporting to the Office of the Secretary. The Office will be responsible for the coordination and provision of legal services for the Cabinet and the General Counsel will be chief legal adviser to the Secretary. The Office of General Counsel will consist of two offices as follows: The Office of Legal Services for Finance and Technology and the Office of Legal Services for Revenue. Each office will provide legal services for their respective offices/departments. The level of complexity in both the finance administration area and the taxation area, the amount of state funds at risk in the pending protests and litigation and the level of expertise necessary to manage these entities justifies the establishment of these entities as Offices within the Office of General Counsel.

FISCAL IMPACT

It is difficult to provide an exact dollar reduction or increase in expenditures which will result from the reorganization; however, there will likely be a reduction in expenses in the following areas:

1. Personnel reductions will occur in the administrative support area as employees are redeployed to revenue generating or other internal vacancies. There will likely be a reduction in current personnel expenditures due to attrition over the next several years and the filling of vacancies from within. Revenue generating positions will command the focus for filling vacancies and to the extent possible will be staffed from existing employee resources.
2. Relocation and consolidation of staff will eventually result in less operating expenses, i.e., rent, utilities, janitorial services, and office equipment.
3. As best practices from each of the former agencies are implemented, savings will be realized in processing and response time, procurement efficiencies, information technology administration and enhanced services.

PERSONNEL IMPACT

There will be no overall additions of personnel required to implement this reorganization plan. Personnel will be reassigned to perform the duties and responsibilities associated with the plan. There will be shifts or transfers of personnel particularly in the human resources and budget areas as those areas are disbanded within the former Revenue Cabinet and the former Governor's Office for Technology and staff will be merged into the new Office of Administrative Services. The staff assigned to the former Department of Information Technology in the former Revenue Cabinet and the former Governor's Office for Technology will be merged with staff in the new Commonwealth Office of Technology. All employees who are displaced as a result of this Reorganization Plan will be reclassified or transferred to other positions within the agency without a decrease in compensation. There will be promotions in other areas of the Cabinet. There are no scheduled layoffs associated with this Executive Order Reorganization Plan. The following efficiencies in non-merit positions will result from the proposed reorganization:

Position	Before	After
Cabinet Heads	3	1
Office/Department Heads	25	26
Divisions	46	39
Total	74	66

NET EFFECT/BENEFITS OF THE NEW ORGANIZATION

The benefits that will accrue from the implementation of this proposal are many and varied but may be best summarized as identifying and maximizing the use of best practices throughout the Cabinet, eliminating sub-standard and inefficient operations, creating single points of responsibility for related functions and eliminating under-utilized services. Specific examples of improvements are as follows:

1. Combine HR management into a single efficient, professional unit that uses uniform practices.
2. Combine the legal operations of all Cabinet entities into a single unit to allow the most qualified attorney to address an issue regardless of the entity that it impacts and to better manage use of outside contracts.
3. Combine IT operations of all entities into a single unit in order to ensure that the most critical needs of the Cabinet are addressed as the highest priority and that consistent practices are used across the Cabinet.
4. Realign the operations in the Department of Revenue according to type of tax to take full advantage of internal expertise and to ensure consistency in the application of each tax and to create a more responsive organization to respond to taxpayer inquiries.
5. Strengthen the internal audit function with the consolidation of staff.